Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

November 1984

A few early reports indicate that the economy turned in a sluggish performance in October, but not sufficiently so as to raise serious concern about the possibility of an impending downturn. The most likely course of the economy still seems to us to be slow growth in the fourth quarter of this year and early next year, with a rebound appearing roughly by the spring. The reacceleration would be a response to recent declines in interest rates and the correction of the inventory overhang that has developed in a few sectors of the economy. Real GNP is expected to rise a moderate 3.3% from the fourth quarter of 1984 to the fourth quarter of 1985, following an estimated increase of 5.7% from the fourth quarter of last year to the fourth quarter of this year.

Some of the recent weakness in the economy reflects the auto strikes in the U.S. and Canada. For example, domestic auto sales fell to 6.9 million units at an annual rate in October, versus 7.9 million units in September. Sales are expected to move quickly back into the 8.0-8.5 million unit range as production returns to normal levels. The slowdown in the economy extends well beyond the strikes, however. The sluggishness in consumer spending has worked its way through the chain of production and has resulted in a series of declines (on a month-to-month basis) in manufacturers' new orders. As an illustration of the resulting inventory imbalance that has developed, the ratio of inventories to new orders of manufacturers of home goods and apparel rose sharply in September to the highest point since late 1982 (more because of the decline in orders than the rise in inventories). It will probably take until next spring before inventories move into comfortable alignment with orders and sales.

The weakness in manufacturers' new orders also partially reflects the strength of the dollar. Although the dollar has fallen from recent highs, the cumulative effect of the strong dollar is evident in the merchandise trade statistics. During the first nine months of 1984 exports were 8.5% higher than a year ago, while imports increased 31.6%. The trade deficit is expected to be a record $130 billion this year and $148 billion next year.

Warnings about the effects of "crowding out" have been raised for some time now, but the predictions have generally been off the mark. Ironically, though, some of the fears of the consequences of crowding out are now coming true, but through a rather circuitous route. The Federal Reserve has maintained a relatively restrictive monetary policy to offset the inflationary potential of the substantial fiscal stimulus provided by large Federal government deficits. The resulting high real interest rates have in turn been a major force in keeping the dollar strong, and the strong dollar has made it difficult for many U.S. firms to compete both at home and abroad. Thus, America's industrial base has felt the consequences of crowding out, but primarily through the effects of exchange rates rather than directly through interest rates. The extent to which President Reagan can succeed in reducing the budget deficit, while at least in principle adhering to the broad program of economic initiatives begun in his first term, will be a pivotal factor in determining the course of the economy during his second term.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual				Forecast				Actual	Forecast	
	1984				1985				1982-	1983-	1984-
	I	II	III	IV	I	II	III	IV	1983	1984	1985
Gross National Product	14.9	10.7	6.3	7.1	7.2	8.8	9.4	8.2	7.7	10.9	7.9
Real GNP	10.1	7.1	2.7	2.9	2.5	4.3	4.1	2.6	3.7	6.9	3.4
GNP Price Deflator	4.4	3.3	3.6	4.0	4.5	4.4	5.1	5.5	3.8	3.8	4.3

	Actual	Forecast	Actual	Forecast	
	1984: III	1984: IV	1982-1983	1983-1984	1984-1985
Consumer Spending	4.6%	7.8%	8.6%	8.7%	7.6%
Durable Goods	-4.2	-1.0	14.2	13.1	5.7
Nondurable Goods	2.4	8.4	5.8	7.4	6.5
Services	9.0	9.8	9.4	8.5	9.0
Business Capital Spending	10.6	13.3	0.9	20.2	14.2
Structures	4.3	12.0	-8.7	15.6	13.2
Equipment	14.3	14.0	7.6	22.8	14.8
Residential Investment	2.6	3.0	44.6	17.5	5.3
			1983	1984	1985
Change in Inventories	$72.4b.	$54.0b.	$-13.5b.	$62.7b.	$47.5b.
Net Exports of Goods and Services	$-85.5b.	$-81.0b.	$-8.3b.	$-69.2b.	$-87.0b.
			1982-1983	1983-1984	1984-1985
Government Purchases	13.1%	9.8%	5.4%	9.4%	10.3%
Federal	16.2	11.0	4.2	10.1	13.7
Defense	8.7	12.8	11.7	11.2	12.2
Other	40.4	6.0	-12.7	6.6	18.2
State & Local	11.0	9.0	6.2	9.0	8.0
Corporate Profits Before Tax	6.9*F	10.0*	22.8	20.6	8.1
Corporate Profits After Tax	4.1*F	7.4*	21.6	17.9	7.8
Plant and Equipment Expenditures	20.0F	17.0	-4.8	15.3	14.2
Real Final Sales#	0.0	4.8	3.2	4.9	3.9
Real Disposable Personal Income	3.5	3.9	3.5	6.7	3.8

Economic Indicators	Recent Data			Actual	Forecast	
	July	Aug.	Sept.	1982-1983	1983-1984	1984-1985
Consumer Price Index**	3.6%	6.0%	4.8%	3.8%	4.6%	5.0%
Producer Price Index for Finished Goods**	3.6	-1.2	-2.4	0.6	2.5	5.0
Industrial Production	10.9	1.4	-7.2	6.5	10.8	4.6
Retail Sales**	-1.7	-0.6	1.6	9.3	10.2	7.8
				1983	1984	1985
Auto Sales (millions of units, a.r.)	10.6	10.0	10.3	9.2	10.5	10.6
Housing Starts (millions of units, a.r.)	1.75	1.54	1.68	1.70	1.80	1.67
Unemployment Rate	7.5	7.5	7.4	9.6	7.6	6.9
Merchandise Trade Deficit (a.r.)	$168.7b.	$118.3b.	$151.8b.	$69.4b.	$130.0b.	$148.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

#GNP less change in inventories, both in real terms.
**Monthly percent changes are not annualized.
$b. = billions a.r. = annual rate F = Forecast

*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

Nov. 9, 1984

Economic Outlook

B4750-2

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

December 1984

Recent data reflect the slowdown in the economy as well as the economy's resiliency. Real growth is expected to remain subdued through the first quarter of next year. By the spring, however, the economy will likely show renewed vigor. Real GNP is expected to rise 3.8% from the fourth quarter of 1984 to the fourth quarter of 1985, following an estimated (fourth-quarter to fourth-quarter) increase of 5.4% in 1984 and an increase of 6.4% in 1983.

By late summer and early fall, the signs of weakness in the economy were widespread. Retail sales appeared essentially flat from April to October, while the index of leading economic indicators, housing starts, and factory orders were falling. Recently released reports for November, however, showed surprising strength. Retail sales rose 1.8% from October to November, with the improvement evident in most types of stores.

The slowdown in the economy partially reflects inventory imbalances that developed during the year. As an illustration of the problem, department stores' inventories were 22.2% higher in October than a year earlier, while sales had risen only 8.9% during the same period. With the notable exception of the auto industry, excessively high inventories have become evident across a wide spectrum of industries. As a result, real growth will be dampened for another quarter or so as firms hold back on orders and curtail production to bring inventories into better balance with sales. Once this mini-inventory cycle is completed, the economy will likely show improved growth. A major drag on the economy next year, however, will be further enlargement of the U.S. merchandise trade deficit.

Real growth will benefit next year from recent declines in interest rates. Mortgage rates have already declined substantially, and home sales have responded to the improved financing conditions. A wild card in the near-term outlook, however, is the Treasury Department's recent tax reform proposal. Although mortgage interest would remain deductible for the principal residence and tax rates would be lowered, property taxes and state and local income taxes would no longer be deductible. This change would likely raise the tax liabilities of residents in high tax areas who currently itemize. In any case, a major uncertainty has been introduced that may cause some people to defer the decision to purchase a home until the situation is clarified. A similar argument applies to business capital spending.

In sum, the U.S. economy is sending mixed signals, showing weakness as well as residual strength. As for next year, monetary policymakers will continue to have unusual flexibility in sustaining economic expansion in the U.S., since the recovery outside the U.S. will likely remain subdued and inflation rates will likely remain relatively low. Growth in Western Europe is expected to continue below par, while many parts of Latin America will continue to experience severe economic problems. As a result, neither the development of capacity constraints nor an extended increase in commodity prices is likely. This is not the type of situation usually evident in advance of recessions. Consequently, the present U.S. economic recovery may yet prove to be of unusually long duration.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual			1984	Forecast			1985	Actual	Forecast	
	I	II	III	IV	I	II	III	IV	1982-1983	1983-1984	1984-1985
Gross National Product	14.9	10.7	5.7	7.0	6.7	9.7	9.2	8.5	7.7	10.8	7.9
Real GNP	10.1	7.1	1.9	2.9	2.3	5.3	4.4	3.2	3.7	6.8	3.5
GNP Price Deflator	4.4	3.3	3.7	4.0	4.3	4.2	4.6	5.1	3.8	3.8	4.2

	Actual	Forecast	Actual	Forecast	
	1984:III	1984: IV	1982-1983	1983-1984	1984-1985
Consumer Spending	4.9%	7.1%	8.6%	8.7%	7.8%
Durable Goods	-2.7	5.0	14.2	13.7	6.6
Nondurable Goods	1.3	5.3	5.8	7.0	5.8
Services	9.9	9.0	9.4	8.6	9.6
Business Capital Spending	17.9	11.0	0.9	21.0	13.5
Structures	9.0	12.8	-8.7	16.3	12.9
Equipment	23.0	10.0	7.6	23.7	13.9
Residential Investment	-0.5	-6.0	44.6	16.3	3.8
			1983	1984	1985
Change in Inventories	$68.5b.	$54.7b.	$-13.5b.	$61.9b.	$45.8b.
Net Exports of Goods and Services	$-89.9b.	$-81.0b.	$-8.3b.	$-70.3b.	$-88.8b.
			1982-1983	1983-1984	1984-1985
Government Purchases	10.3%	9.7%	5.4%	9.1%	10.2%
Federal	9.0	9.5	4.2	9.1	12.8
Defense	-0.7	10.8	11.7	9.8	11.0
Other	41.1	6.0	-12.7	6.7	18.0
State & Local	11.1	9.9	6.2	9.0	8.5
Corporate Profits Before Tax	-1.6*	-1.7*	22.8	15.0	5.8
Corporate Profits After Tax	-2.3*	-2.1*	21.6	13.5	6.5
Plant and Equipment Expenditures	16.1F	11.9	-4.8	14.5	11.1
Real Final Sales#	-0.5	4.6	3.2	4.8	4.0
Real Disposable Personal Income	3.9	3.5	3.5	6.7	4.0

Economic Indicators	Recent Data			Actual	Forecast	
	Sept.	Oct.	Nov.	1982-1983	1983-1984	1984-1985
Consumer Price Index**	4.8%	4.8%	n.a.	3.8%	4.7%	4.8%
Producer Price Index for Finished Goods**	-2.4	-2.4	6.0	0.6	1.9	4.7
Industrial Production	-7.2	-4.8	4.8	6.5	10.7	4.0
Retail Sales##	1.5	0.1	1.8	9.3	10.1	7.8
				1983	1984	1985
Auto Sales (millions of units, a.r.)	10.3	9.7	9.8	9.2	10.4	10.6
Housing Starts (millions of units, a.r.)	1.68	1.52	n.a.	1.70	1.78	1.66
Unemployment Rate	7.4	7.4	7.2	9.6	7.6	6.8
Merchandise Trade Deficit (a.r.)	$151.8b.	$-110.2b.	n.a.	$69.4b.	$130.0b.	$148.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

December 17, 1984

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).
$b. = billions a.r. = annual rate F = Forecast

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

January 1985

The prospects are favorable that the economy will continue to expand through 1985 and 1986 with relatively low inflation. Evidence mounts that the recent slowdown is nothing more than the normal hesitation in economic growth usually evident during the course of an expansion. Although areas of weakness will still be visible for several more months, a pronounced rebound in growth is likely, probably during the spring. Further enlargement of the U.S. merchandise trade deficit, however, will be a major drag on the economy this year.

The slowdown in the economy last year is evident in the pattern of real GNP growth. The annualized rate of increase in real GNP went from 10.1% in the first quarter to 1.6% in the third quarter. The Commerce Department's "flash forecast" for growth in the fourth quarter is 2.8%, but it seems that the preliminary estimate may be slightly higher. Real growth will likely remain subdued in the first quarter of this year but then show much improvement in the second and third quarters, as interest-rate-sensitive sectors of the economy respond to the decline in interest rates that began last fall and as the problem of excessive inventories is corrected. Real GNP is expected to post a moderate rise of 3.8% from the fourth quarter of 1984 to the fourth quarter of 1985, following an estimated increase of 5.5% from the fourth quarter of 1983 to the fourth quarter of 1984.

A slowdown in the economy similar to the current one occurred in 1976, as real GNP growth went from 9.1% in the first quarter to 2.3% in the third quarter. Growth improved slightly in the fourth quarter of 1976 and then shot up to 8.9%, 6.7%, and 6.8% in the first three quarters of 1977, only to be followed by another brief slowdown. The point is simply that economic growth typically does not proceed in a smooth, steady fashion but rather exhibits periods of ebb and flow even during broad expansions.

In particular months last summer and early fall, most of the major monthly economic indicators registered declines or paltry increases. Recent reports show decided improvement, however. The index of leading indicators fell by a significant 2.6% from April to July, but the 1.3% increase in November helped put the index 1.6% above the July level. Factory orders, excluding defense and automotive products, rose 1.3% in November. This was the first decent increase in several months, although it was not sufficient to bring orders up to the levels reached earlier in the year. Domestic auto sales rebounded in December to 8.3 million units at an annual rate from the October and November strike-affected levels of 6.9 and 7.1 million units, while in December average weekly hours in the manufacturing sector posted the largest increase since April.

All in all, signs of improvement in the economy are evident, although trouble spots are also visible. In particular, a very promotional pricing environment has led to substantial erosion of profit margins for many retailers. In addition, despite a narrowing of the merchandise trade deficit in October and November compared to the third-quarter average, the major challenge for many U.S. businesses in the period ahead will continue to be coping with a strong dollar, weak export markets, and surging imports.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual			1984	Forecast			1985	Actual	Forecast	
	I	II	III	IV	I	II	III	IV	1982-1983	1983-1984	1984-1985
Gross National Product	14.9	10.7	5.6	6.4	6.6	9.8	9.0	8.3	7.7	10.8	7.7
Real GNP	10.1	7.1	1.6	3.3	2.5	5.3	4.3	3.3	3.7	6.8	3.6
GNP Price Deflator	4.4	3.3	4.0	3.0	4.0	4.3	4.5	4.8	3.8	3.8	3.9

	Actual	Forecast	Actual	Forecast	
	1984:III	1984: IV	1982-1983	1983-1984	1984-1985
Consumer Spending	5.0%	6.4%	8.6%	8.6%	7.7%
Durable Goods	-4.3	7.5	14.2	13.6	7.2
Nondurable Goods	1.5	1.6	5.8	6.8	5.1
Services	10.5	9.6	9.4	8.7	9.7
Business Capital Spending	15.0	11.0	0.9	20.6	13.1
Structures	3.8	12.8	-8.7	15.6	12.1
Equipment	21.5	10.0	7.6	23.5	13.7
Residential Investment	-0.7	-6.0	44.6	16.3	3.7
			1983	1984	1985
Change in Inventories	$71.8b.	$55.5b.	$-13.5b.	$62.9b.	$47.3b.
Net Exports of Goods and Services	$-90.6b.	$-80.0b.	$-8.3b.	$-70.2b.	$-88.8b.
			1982-1983	1983-1984	1984-1985
Government Purchases	9.6%	9.7%	5.4%	9.0%	9.9%
Federal	7.9	9.5	4.2	8.9	12.1
Defense	-0.8	10.8	11.7	9.8	10.5
Other	36.4	6.0	-12.7	6.2	16.9
State & Local	10.8	9.9	6.2	9.0	8.4
Corporate Profits Before Tax	-1.1*	0.7*	22.8	5.1	6.4
Corporate Profits After Tax	-0.6*	1.3*	21.6	6.4	6.4
Plant and Equipment Expenditures	14.5	11.0	-4.8	14.3	10.2
Real Final Sales#	-1.0	5.3	3.2	4.8	4.1
Real Disposable Personal Income	3.9	3.6	3.5	6.7	4.3

Economic Indicators	Recent Data			Actual	Forecast	
	Sept.	Oct.	Nov.	1982-1983	1983-1984	1984-1985
Consumer Price Index**	4.8%	4.8%	2.4%	3.8%	4.1%	4.5%
Producer Price Index for Finished Goods**	-2.4	-2.4	6.0	0.6	1.8A	3.9
Industrial Production	-7.2	-4.8	4.8	6.5	10.7	4.3
Retail Sales##	1.5	0.1	1.8	9.3	10.7	8.3
				1983	1984	1985
Auto Sales (millions of units, a.r.)	10.3	9.7	9.8	9.2	10.4A	10.6
Housing Starts (millions of units, a.r.)	1.68	1.54	1.53	1.70	1.77	1.66
Unemployment Rate	7.4%	7.3%	7.1%	9.6%	7.5%A	6.8%
Merchandise Trade Deficit (a.r.)	$151.8b.	$110.2b.	$119.2b.	$69.4b.	$128.0b.	$148.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

January 11, 1985

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
$b. = billions a.r. = annual rate F = Forecast

*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).
A = Actual

Economic Outlook

B4750-2

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

February 1985

It seems that people have a hard time these days figuring out how the U.S. economy is doing. Gloomy assessments abound, yet in important respects economic performance has been favorable. This paradoxical situation will probably continue in 1985. Real GNP is expected to register moderate growth; inflation will likely remain in check; and the unemployment rate will likely drift lower. But the strength of the dollar will continue to be a major source of woe for many U.S. corporations, while the large Federal budget deficits will continue to cause anxiety in the financial markets.

The overall record of the U.S. economy was quite respectable last year. Real GNP rose by a substantial 5.6% from the fourth quarter of 1983 to the fourth quarter of 1984, but growth was especially rapid in the first half of the year. As interest rates rose, concern was expressed as to whether the economy could slow down without a recession developing. In fact, the Fed did an admirable job of maneuvering the economy to a soft landing. Real GNP rose by about 4% at an annual rate in the fourth quarter of last year, following a paltry increase of 1.6% in the third quarter.

Recent economic reports reflect continued crosscurrents, but the overall tone is positive. The Conference Board's index of consumer confidence rebounded in January after dropping disconcertingly in December. Domestic auto sales in January totaled 8.4 million units at an annual rate--the highest level since May--while early February sales remain strong. Sales at department stores, however, were hurt by January's unusually bad weather. Real growth will probably be moderate in the first quarter as firms continue to keep relatively tight control over inventories. By the spring the pace of economic activity will likely perk up, as inventories become less of a drag and as the economy responds to the decline in interest rates since late last summer. Real GNP is expected to rise 4.2% from fourth-quarter 1984 to fourth-quarter 1985.

Several analysts expected inflation rates to accelerate last year, either because of normal cyclical pressures or prior rapid growth in the money supply. Instead, the consumer price index rose 4.0% from December 1983 to December 1984, hardly changed from the 3.9% and 3.8% increases in 1982 and 1983. Soft oil prices and the strong dollar will help keep inflation under control this year. Moreover, continued lackluster economic growth in many parts of the world makes it unlikely that commodity prices will contribute to general inflationary pressures as in past expansions. The consumer price index is expected to rise 4.3% from December 1984 to December 1985.

The enlargement of the U.S. merchandise trade deficit during the past few years has been dramatic. The trade deficit in 1984 totaled $123.3 billion, compared to a deficit of $69.4 billion in 1983. The deterioration has been broadly based, except for petroleum imports, which have remained roughly stable. The biggest swing among the major categories has been in machinery and transportation equipment, which went from a net surplus of $14.0 billion in 1979 to a deficit of $33.2 billion in 1984. The 1985 merchandise trade deficit is estimated to total about $148 billion. For many companies, the consequences of such a deficit are grim, despite an otherwise favorable economic environment.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual	Actual	Actual	Actual	Actual				Forecast	Actual	Forecast	
	1984				1985				1986	1983-	1984-	1985-
	IV	I	II	III	IV	I	II	III	IV	1984	1985	1986
Gross National Product	6.4	7.1	9.8	9.2	8.9	8.7	7.8	8.2	10.0	10.8	7.9	8.7
Real GNP	3.9	3.1	5.3	4.5	4.0	3.5	2.5	2.5	4.0	6.8	3.9	3.5
GNP Price Deflator	2.4	3.9	4.3	4.5	4.7	5.0	5.2	5.6	5.7	3.7	3.8	5.0

	Actual	Forecast	Actual	Forecast	
	1984: IV	1985: I	1983-1984	1984-1985	1985-1986
Consumer Spending	6.5%	8.6%	8.6%	7.8%	8.1%
Durable Goods	9.8	21.2	13.8	10.5	7.0
Nondurable Goods	5.0	5.8	7.1	5.7	7.1
Services	6.6	7.3	8.5	8.6	9.2
Business Capital Spending	12.7	14.2	20.7	14.1	9.9
Structures	17.1	11.1	15.9	12.9	10.4
Equipment	10.5	16.0	23.5	14.7	9.6
Residential Investment	0.1	3.9	16.8	3.9	0.9
			1984	1985	1986
Change in Inventories	$31.1b.	$26.2b.	$56.8b.	$36.1b.	$56.8b.
Net Exports of Goods and Services	$-64.3b.	$-77.5b.	$-66.3b.	$-81.6b.	$-90.9b.
			1983-1984	1984-1985	1985-1986
Government Purchases	11.9%	8.6%	9.1%	10.3%	9.4%
Federal	19.9	10.2	9.6	14.0	10.5
Defense	21.8	12.6	10.5	12.4	12.2
Other	15.0	4.4	6.9	18.6	5.6
State & Local	6.9	7.5	8.8	7.8	8.6
Corporate Profits Before Tax	-1.1*	-5.3*	15.3	3.8	5.8
Corporate Profits After Tax	-0.3*	-3.6*	14.4	5.2	5.9
Plant and Equipment Expenditures	11.0F	22.1	14.2	8.4	7.1
Real Final Sales#	8.3	3.5	5.0	4.5	3.1
Real Disposable Personal Income	4.2	4.5	6.8	4.5	3.5

Economic Indicators	Recent Data			Actual	Forecast	
	Nov.	Dec.	Jan.	1983-1984	1984-1985	1985-1986
Consumer Price Index**	2.4%	2.4%	n.a.	4.0%	4.3%	5.2%
Producer Price Index for Finished Goods**	3.6	2.4	0.0	1.8	3.6	5.0
Industrial Production	4.8	6.0	4.8	10.7	4.3	3.5
Retail Sales##	1.5	-0.5	0.7	10.2	8.5	7.7
				1984	1985	1986
Auto Sales (millions of units, a.r.)	9.8	11.0	11.1	10.4	10.6	10.0
Housing Starts (millions of units, a.r.)	1.60	1.60	1.83	1.74	1.67	1.50
Unemployment Rate	7.1%	7.2%	7.4%	7.5%	6.9%	6.3%
Merchandise Trade Deficit (a.r.)	$119.2b.	$98.4b.	n.a.	$123.3b.	$148.0b.	$160.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

February 19, 1985

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

b. = billions a.r. = annual rate F = Forecast

Economic Outlook

B4750-2

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

March 1985

The economy appears to be growing at a moderate pace, but with strong cross-currents beneath the surface. On the positive side, residential construction is on an upswing, while auto sales have moved to a high level. Consumer spending has registered respectable increases, though monthly performance has been erratic. On the negative side, however, a troublesome warning flag has been raised concerning the outlook for domestic capital goods producers, while the prospect of further enlargement of the merchandise trade deficit remains a serious threat. Despite these trouble spots, real GNP is expected to rise slightly more than 4% from the fourth quarter of 1984 to the fourth quarter of 1985, with continued growth likely throughout 1985 and 1986.

During much of 1984 rising mortgage rates caused a drop in housing starts, from 1.95 million units at an annual rate during the first quarter to 1.59 million in the fourth quarter. As an indication of the decline in mortgage rates since last fall, the current rate on fixed-rate mortgages is generally slightly above 13% (plus points), compared to about 14.5% last summer. Our expectation --and one widely shared in the financial press--is that most interest rates will rise moderately during the course of this year as moderate overall economic growth is reestablished. As a result, many potential home buyers probably view the current period as an opportune time to take the plunge. Housing starts will likely average slightly above 1.8 million units in the first half of this year and then decline as mortgage rates rise. Housing starts are expected to total 1.70 million units this year versus 1.75 million in 1984.

Auto sales have recovered visibly since the slowdown in sales late last year. Total auto sales in January and February averaged about 11 million units at an annual rate, compared to 10.2 million in the fourth quarter, with all of the improvement in sales of domestically produced cars. The substantial aging of the stock of cars in the U.S. indicates that potential replacement demand will remain strong. Auto sales are expected to total 10.8 million units this year versus 10.4 million last year. The expiration of the voluntary restraint agreement with Japan will probably result in about 250,000-300,000 more cars being shipped from Japan in the next 12 months, with exports being restrained purely because of political considerations.

One of the most disconcerting economic reports during the past few months was January's 13.2% decline in new orders for nondefense capital goods. Ordinarily a decline in this highly volatile series would not be particularly worrisome, as a decline in one month is often reversed in the next. These orders have trended downward since last May, however, and the situation seems to be deteriorating rather than improving. Since the orders reflect domestic bookings, some of the weakness is undoubtedly due to the strength of the dollar and the inroads of foreign producers in the U.S. market. In addition, some "high-tech" industries, which provided substantial thrust in the early stages of the recovery, are now experiencing rough times. The semiconductor industry in particular has gone from virtual boom to bust, as bookings are now substantially below billings, completely reversing the situation of a year ago. In sum, overall economic growth is likely to proceed at a moderate pace, but the aggregate figures will reflect sectors on the rebound as well as industries in turmoil.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual	1985							Forecast	Actual	Forecast	
	1984 IV	I	II	III	IV	I	II	III	1986 IV	1983-1984	1984-1985	1985-1986
Gross National Product	7.8	7.1	9.5	9.0	9.0	8.7	7.9	8.2	10.0	10.9	8.1	8.7
Real GNP	4.9	3.1	5.0	4.3	4.1	3.5	2.5	2.5	4.0	6.9	4.0	3.5
GNP Price Deflator	2.8	3.9	4.3	4.5	4.7	5.0	5.2	5.6	5.7	3.8	3.8	5.0

	Actual	Forecast	Actual	Forecast	
	1984: IV	1985: I	1983-1984	1984-1985	1985-1986
Consumer Spending	6.2%	8.4%	8.6%	8.1%	8.5%
Durable Goods	10.5	12.1	13.8	9.8	8.1
Nondurable Goods	2.1	4.9	6.9	5.6	7.8
Services	8.1	9.9	8.6	9.5	9.2
Business Capital Spending	9.8	12.7	20.5	12.7	9.0
Structures	19.3	15.0	16.0	14.8	10.6
Equipment	4.9	11.3	23.1	11.6	8.1
Residential Investment	-5.7	17.5	16.3	7.6	0.7
			1984	1985	1986
Change in Inventories	$35.3b.	$28.0b.	$57.9b.	$43.3b.	$58.0b.
Net Exports of Goods and Services	$-49.2b.	$-63.0b.	$-62.5b.	$-88.0b.	$-96.3b.
			1983-1984	1984-1985	1985-1986
Government Purchases	11.3%	9.4%	9.1%	10.7%	9.3%
Federal	20.3	11.1	9.6	14.3	10.5
Defense	21.4	12.6	10.4	12.5	12.4
Other	17.2	6.8	7.0	19.8	5.4
State & Local	5.7	8.3	8.7	8.4	8.5
Corporate Profits Before Tax	4.6*	-1.9*	16.9	6.1	6.9
Corporate Profits After Tax	4.5*	-0.8*	15.8	7.0	6.9
Plant and Equipment Expenditures	11.0F	22.1	14.3	8.4	7.1
Real Final Sales#	8.5	3.8	5.0	4.4	3.3
Real Disposable Personal Income	3.9	2.5	6.7	4.0	3.5

Economic Indicators	Recent Data			Actual	Forecast	
	Dec.	Jan.	Feb.	1983-1984	1984-1985	1985-1986
Consumer Price Index**	3.6%	2.4%	n.a.	4.0%	4.3%	5.2%
Producer Price Index for Finished Goods**	2.4	0.0	-1.2	1.8	3.4	5.0
Industrial Production	1.2	3.6	-6.0	10.6	4.3	3.5
Retail Sales##	-0.3	0.5	1.4	10.2	8.2	7.9
				1984	1985	1986
Auto Sales (millions of units, a.r.)	11.0	11.1	11.0	10.4	10.8	10.0
Housing Starts (millions of units, a.r.)	1.60	1.83	n.a.	1.75	1.70	1.54
Unemployment Rate	7.2%	7.4%	7.3%	7.5%	6.9%	6.4%
Merchandise Trade Deficit (a.r.)	$96.4b.	$123.4b.	n.a.	$123.3b.	$148.0b.	$160.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

$b. = billions a.r. = annual rate F = Forecast

March 15, 1985

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

April 1985

The recent performance of the economy continues to be mixed. The overall result is modest growth, with indications of strength along with troublesome signs of weakness. Although the economy could plod along in this fashion for a few more months, conditions are being set for an improvement in growth by late spring or early summer. Real GNP is expected to increase about 4% from the fourth quarter of 1984 to the fourth quarter of 1985.

Many of the key economic indicators have been extraordinarily jumpy of late. For example, new orders for nondefense capital goods plummeted 13.1% from December to January, after displaying weakness throughout much of 1984. In February, however, orders rose 27.5%, an unusually large increase even for this volatile series. Most of the increase was the result of a sharp rise in orders for computers and related equipment. Excluding computers, orders were up only 7.8%, a respectable but not spectacular increase, insufficient to raise orders above 1984 levels.

The overall figures for capital spending have portrayed a pattern of remarkable strength in this recovery. Last year, real equipment investment rose 21.5% from the 1983 level, the largest annual increase since 1947. To many domestic producers of capital goods, however, this has hardly been a boom period. Some components of capital spending, such as computers and automotive equipment, have experienced impressive gains. Excluding these items, real investment in domestically produced equipment was absolutely flat last year, while imports of these capital goods surged 47.5%. Even though there appears to have been an investment boom, much of it has been experienced by foreign producers. The recent weakness of the dollar will help U.S. producers somewhat, but it certainly does not make up for the substantial appreciation of the dollar since 1980. Moreover, aggregate investment is likely to decelerate sharply this year, with the rise in real equipment investment expected to be slightly less than half of last year's rate.

The month-to-month changes in retail sales have also been unusually erratic in recent months, as sales rose 1.6% in February and then dropped 1.9% in March. Despite the sharp drop in March, fundamental factors influencing consumer spending remain favorable. Inflation remains under control, while employment continues to grow. February's record rise in consumer installment credit outstanding is certainly not a sign of consumers in retreat. Nonetheless, problems in some U.S. manufacturing industries have produced layoffs and have probably contributed to a sense of unease about where the economy is headed. As a result, consumer spending will likely continue to rise at a moderate pace, but in a hesitant fashion. Moreover, although many retailers have clearly been trying to control growth in inventories to eliminate imbalances that developed last year, recent indications are that inventories in certain areas are still uncomfortably large. For example, the inventory/sales ratio of department stores went from 2.02 in January 1984 to 2.21 during the summer (on a seasonally adjusted basis). The ratio was still a relatively high 2.18 in February, a sign that some of the vestiges of the slowdown that began last year are still present.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual								Forecast	Actual	Forecast	
	1984	1985							1986	1983-	1984-	1985-
	IV	I	II	III	IV	I	II	III	IV	1984	1985	1986
Gross National Product	7.1	7.6	9.0	9.0	8.9	7.9	7.9	8.2	10.0	10.8	8.0	8.4
Real GNP	4.3	2.1	5.0	4.3	4.1	2.8	2.5	2.5	4.0	6.8	3.7	3.3
GNP Price Deflator	2.8	5.4	3.8	4.5	4.6	5.0	5.2	5.6	5.7	3.8	4.1	4.9

	Actual	Forecast	Actual	Forecast	
	1984: IV	1985: I	1983-1984	1984-1985	1985-1986
Consumer Spending	6.1%	9.4%	8.6%	8.2%	8.2%
Durable Goods	11.9	11.6	13.9	9.6	7.8
Nondurable Goods	2.4	8.6	6.9	6.3	7.4
Services	7.3	9.3	8.5	9.1	8.9
Business Capital Spending	11.5	6.6	20.6	11.5	9.0
Structures	18.3	6.5	16.0	12.3	10.6
Equipment	8.0	6.8	23.4	11.0	8.1
Residential Investment	-4.7	5.5	16.4	5.1	1.4

			1984	1985	1986
Change in Inventories	$36.6b.	$38.0b.	$58.2b.	$48.0b.	$58.0b.
Net Exports of Goods and Services	$-56.0b.	$-73.5b.	$-64.2b.	$-90.8b.	$-96.3b.

			1983-1984	1984-1985	1985-1986
Government Purchases	10.7%	11.7%	9.0%	10.9%	9.2%
Federal	19.4	16.8	9.5	14.8	10.3
Defense	22.1	18.0	10.5	13.0	12.1
Other	12.1	13.5	6.7	20.0	5.2
State & Local	5.2	8.3	8.7	8.3	8.5
Corporate Profits Before Tax	2.3*	-3.9*	16.2	4.2	7.2
Corporate Profits After Tax	0.9*	-4.2*	14.8	3.9	7.2
Plant and Equipment Expenditures	6.9	14.7	16.0	8.7	7.1
Real Final Sales#	7.9	2.0	5.0	4.0	3.2
Real Disposable Personal Income	3.5	2.5	6.7	3.8	3.1

Economic Indicators	Recent Data			Actual	Forecast	
	Jan.	Feb.	Mar.	1983-1984	1984-1985	1985-1986
Consumer Price Index**	2.4%	3.6%	n.a.	4.0%	4.3%	5.2%
Producer Price Index for Finished Goods**	0.0	-1.2	2.4	1.8	2.9	5.1
Industrial Production	2.4	-2.4	3.6	10.6	4.0	3.6
Retail Sales##	0.8	1.6	-1.9	10.5	7.5	7.8

				1984	1985	1986
Auto Sales (millions of units, a.r.)	10.9	11.0	10.7	10.4	10.7	10.0
Housing Starts (millions of units, a.r.)	1.85	1.63	1.90	1.75	1.70	1.54
Unemployment Rate	7.4%	7.3%	7.3%	7.5%	7.0%	6.6%
Merchandise Trade Deficit (a.r.)	$123.4b	$137.3b.	n.a.	$123.3b.	$148.0b.	$160.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

April 16, 1985

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

$b. = billions a.r. = annual rate F = Forecast

Economic Outlook

B4750-2

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

May 1985

Recent monthly reports indicate that important sectors of the economy remain sluggish. Nevertheless, it is likely that real economic growth in the second quarter will show considerable improvement compared to the first quarter's weak performance. Real GNP is expected to rise 3.5% this year from the 1984 level, versus an increase of 6.8% last year from the 1983 level.

Despite continuing signs of softness, there are also indications that the economy is poised for a rebound in growth. The slowdown began when real GNP rose at only a 1.6% annual rate during the third quarter of 1984. The net contribution of consumer spending toward this increase was a paltry 0.4%. The subsequent net contributions of personal consumption expenditures to real GNP growth were 2.3% in the fourth quarter and 3.0% in the first quarter. The comparable net contribution in the current quarter is expected to be about 2.6%, hardly a buoyant increase but nevertheless strong enough to help get overall growth back on track again.

Retailers and manufacturers were caught off guard by the weakness of consumer spending last summer and had to contend with a substantial buildup of inventories. During the past few quarters, firms have tried to restrain growth in inventories, while consumers have spent at an improved rate. Recently released data indicate that the rise in inventories in the first quarter was substantially smaller than shown in earlier estimates. Despite its negative connotations for the first quarter's real GNP growth, this is a favorable sign that the mini-inventory cycle the economy has been experiencing is nearing completion.

Despite the slowdown, the growth of the economy since the end of the last recession has been quite normal compared to earlier recoveries. The increases in both real GNP and industrial production from the recession trough levels are now remarkably close to the average increases in prior recoveries. Moreover, the decline in the unemployment rate from its recession peak is one of the sharpest on record. Upon hearing such information, some businessmen have responded: If this is supposed to be such a good recovery, then why does it feel so bad? Herein, we have a major irony of this recovery.

Many of the broad statistics still portray a generally favorable pattern for this recovery, even with the slowdown. At the same time, numerous firms have had major disappointments in earnings, while a few firms and industries have simply watched the recovery pass by without being able to join the parade. Losses during a business expansion are not unusual, but the extent and magnitude of the continued losses during the past few years are extraordinary.

Performance has been lopsided among industries, with some industries registering strong gains while others have had losses or weak results compared to prior experience. After-tax profits this year are expected to rise about 2.3% from last year's level, compared to a 14.5% rise in earnings in 1984 and a 21.6% rise in 1983. For many firms, the various effects of a strong dollar--primarily the loss of market share both at home and abroad as a result of strong competition from low-cost foreign producers--will remain the most serious obstacle to improved earnings performance.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual	1985			Forecast 1986				Actual	Forecast	
	I	II	III	IV	I	II	III	IV	1983-1984	1984-1985	1985-1986
Gross National Product	6.7	8.0	9.3	8.9	9.1	6.5	7.3	8.6	10.8	7.6	8.3
Real GNP	1.3	4.5	4.8	4.1	4.0	1.4	2.0	3.0	6.8	3.5	3.3
GNP Price Deflator	5.3	3.4	4.3	4.6	4.9	5.0	5.2	5.5	3.8	4.0	4.8

	Actual 1985: I	Forecast 1985:II	Actual 1983-1984	Forecast 1984-1985	Forecast 1985-1986
Consumer Spending	8.0%	7.5%	8.6%	7.4%	8.4%
Durable Goods	8.6	14.6	13.9	9.1	8.8
Nondurable Goods	5.4	6.2	6.9	5.1	7.7
Services	9.6	6.6	8.5	8.7	8.8
Business Capital Spending	7.5	10.9	20.6	11.4	8.3
Structures	17.6	16.5	16.0	15.6	9.8
Equipment	2.3	7.7	23.4	9.1	7.4
Residential Investment	3.9	22.0	16.4	6.6	6.3
			1984	1985	1986
Change in Inventories	$46.6b.	$50.0b.	$58.2b.	$54.2b.	$63.3b.
Net Exports of Goods and Services	$-73.0b.	$-88.0b.	$-64.2b.	$-91.4b.	$-107.5b.
			1983-1984	1984-1985	1985-1986
Government Purchases	6.4%	11.2%	9.0%	10.2%	8.6%
Federal	5.8	14.7	9.5	13.7	8.1
Defense	5.0	17.5	10.5	11.8	9.0
Other	7.9	7.5	6.7	19.2	5.8
State & Local	6.7	8.8	8.7	8.0	8.9
Corporate Profits Before Tax	-6.4*F	-3.4	16.0	2.7	5.7
Corporate Profits After Tax	-6.8*F	-2.5	14.5	2.3	5.8
Plant and Equipment Expenditures	14.7	9.6	16.0	8.7	7.1
Real Final Sales#	0.4	4.1	5.0	3.6	3.3
Real Disposable Personal Income	-1.8	4.6	6.7	3.8	3.1

Economic Indicators	Recent Data Feb.	Mar.	Apr.	Actual 1983-1984	Forecast 1984-1985	1985-1986
Consumer Price Index**	3.6%	6.0%	n.a.	4.0%	4.3%	5.0%
Producer Price Index for Finished Goods**	-1.2	2.4	3.6	1.7	3.1	5.0
Industrial Production	1.2	3.6	-2.4	10.6	3.2	4.0
Retail Sales##	1.0	-0.7	0.9	10.5	6.8	6.8
				1984	1985	1986
Auto Sales (millions of units, a.r.)	11.0	10.7	11.1	10.4	10.8	10.2
Housing Starts (millions of units, a.r.)	1.65	1.88	1.91	1.75	1.77	1.65
Unemployment Rate	7.3%	7.3%	7.3%	7.5%	7.0%	6.8%
Merchandise Trade Deficit (a.r.)	$137.3b.	$132.6b.	n.a.	$123.3b.	$148.0b.	$160.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).
$b. = billions a.r. = annual rate F = Forecast

May 17, 1985

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

June 1985

The tone of the economy seemed to shift dramatically during the first half of 1985. Several indicators reported early in the year pointed to an improvement in the economy, but the improvement proved ephemeral, as the economy subsequently displayed more extensive weakness than earlier data had indicated. Real GNP growth in the second quarter, however, has likely accelerated significantly compared to the first quarter's paltry rise. Substantial drops in interest rates during the past few months make it all the more likely that the economy will grow at a more normal rate during the remainder of 1985.

The economy appears to be at a critical juncture. Several industries are undergoing painful adjustments, while consumer confidence seems fragile, ready to reflect any adverse economic developments. The declines in interest rates during the last few months indicate that the Federal Reserve has been concerned that the chance for a pickup in economic activity might slip away without its active support. While these declines in rates have enhanced the prospects of a turnaround, they also reflect the seriousness of the economic and financial strains felt in the United States and elsewhere.

Revisions in economic statistics are routine, but their direction and extent can influence the general perception that economic conditions are improving or deteriorating. Such has been the case so far this year. In late March, the "flash" forecast for real GNP in the first quarter showed annualized growth of 2.1%. As more complete data became available in following months, the estimates of real GNP growth in the first quarter were subsequently revised to 1.3% in April and 0.7% in May. Compared to some prior quarters, these are not particularly large revisions. Nevertheless, they seemed to reinforce the emerging perception that the economy was weaker than had been anticipated.

The first quarter's sluggish growth primarily reflected a dramatic surge in imports accompanied by a drop in exports. Excluding net exports, real growth rose at a moderate 4.0% annual rate. Since it is unlikely that the trade deficit will become enlarged during the second quarter at the same rate as during the first, it will be much less of a drag on growth than it was in the first quarter. In addition, although housing starts have been rising since last fall, real GNP in the first quarter did not benefit from a rise in residential investment, which will contribute to growth in the second quarter. Moreover, despite erratic month-to-month movements, the pattern of retail sales indicates that consumer spending is staying on a course of moderate growth.

It is possible that tax reform may lead to a spurt in certain types of activity later this year followed by a temporary falloff early in 1986. For example, under any tax reform proposal presented so far, it would be advantageous for a taxpayer who itemizes to purchase a car in 1985 rather than in 1986 in order to benefit from the current sales tax deduction. In addition, firms may decide to purchase equipment to be placed in service in 1985 rather than in 1986 to take advantage of the current investment tax credit, which seems a likely casualty of tax reform. In any case, prospects for a pickup in growth over the rest of this year appear good.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual	1985				Forecast 1986				Actual 1983-	1984-	Forecast 1985-
	I	II	III	IV		I	II	III	IV	1984	1985	1986
Gross National Product	6.4	7.8	9.4	8.9		9.1	6.1	7.3	8.7	10.8	7.5	8.2
Real GNP	0.7	4.5	4.8	4.1		4.0	1.4	2.0	3.0	6.8	3.3	3.4
GNP Price Deflator	5.6	3.2	4.3	4.6		4.9	4.6	5.2	5.5	3.8	4.0	4.7

	Actual 1985: I	Forecast 1985:II	Actual 1983-1984	Forecast 1984-1985	Forecast 1985-1986
Consumer Spending	8.5%	8.3%	8.6%	7.7%	8.4%
Durable Goods	10.5	10.7	13.9	8.8	8.6
Nondurable Goods	5.0	6.5	6.9	5.1	7.8
Services	10.6	9.0	8.5	9.4	8.9
Business Capital Spending	7.0	10.1	20.6	11.3	8.8
Structures	19.8	16.5	16.0	16.2	9.8
Equipment	0.5	6.5	23.4	8.7	8.2
Residential Investment	4.8	22.0	16.4	6.8	6.3
			1984	1985	1986
Change in Inventories	$40.6b.	$40.0b.	$58.2b.	$46.4b.	$58.3b.
Net Exports of Goods and Services	$-69.1b.	$-81.0b.	$-64.2b.	$-86.0b.	$-105.9b.
			1983-1984	1984-1985	1985-1986
Government Purchases	4.4%	8.5%	9.0%	9.1%	8.1%
Federal	1.5	9.3	9.5	11.4	7.7
Defense	3.4	10.0	10.5	10.0	8.5
Other	-3.9	7.5	6.7	15.7	5.5
State & Local	6.5	8.0	8.7	7.6	8.3
Corporate Profits Before Tax	-7.9*	-3.6*	16.0	2.2	6.2
Corporate Profits After Tax	-7.0*	-1.4*	14.5	3.2	6.2
Plant and Equipment Expenditures	4.4	16.1	16.0	9.2	7.1
Real Final Sales#	0.1	4.5	5.0	3.5	3.1
Real Disposable Personal Income	-1.7	5.0	6.7	3.1	3.4

Economic Indicators	Recent Data Mar.	Apr.	May	Actual 1983-1984	1984-1985	Forecast 1985-1986
Consumer Price Index**	6.0%	4.8%	n.a.	4.3%	4.1%	5.0%
Producer Price Index for Finished Goods**	2.4	3.6	n.a.	2.1	3.1	5.0
Industrial Production	3.6	-2.4	n.a.	10.6	3.2	3.8
Retail Sales##	-0.2	2.4	-0.8	10.5	7.0	6.7
				1984	1985	1986
Auto Sales (millions of units, a.r.)	10.7	11.1	11.3	10.4	10.8	10.2
Housing Starts (millions of units, a.r.)	1.88	1.91	n.a.	1.75	1.79	1.68
Unemployment Rate	7.3%	7.3%	7.3%	7.5%	7.2%	6.8%
Merchandise Trade Deficit (a.r.)	$132.6b.	$142.2b.	n.a.	$123.3b.	$148.0b.	$160.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

June 13, 1985

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

$b. = billions a.r. = annual rate F = Forecast

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

July 1985

The economy has been in the doldrums but is now poised for a reacceleration in growth. Interest rates are generally at their lowest levels in years, while inventories have come under better control during the past several quarters. Although further enlargement of the merchandise trade deficit will continue to be a drag on growth, the prospects remain favorable that this recovery will prove to be of considerably longer duration than average. Real GNP is now expected to rise 2.7% from the fourth quarter of 1984 to the fourth quarter of 1985, followed by a similar increase next year.

Real GNP rose at a modest 1.7% annual rate in the second quarter, less than the 3.1% increase indicated by the "flash" forecast. Although this growth is an improvement from the paltry 0.3% increase in the first quarter, taken together the pattern indicates sluggish performance. Nevertheless, the situation is better than it may seem. Much of the weakness in the second quarter was the result of a dramatic slowing in inventory accumulation. Real final sales--that is, real GNP excluding the change in inventories--grew at a respectable 5.1% rate, following a decline of 0.3% in the first quarter. The improvement was broad-based. Net exports still detracted from growth, but to a lesser extent than in the first quarter. Net exports have been extremely volatile on a quarterly basis and have been largely responsible for the erratic pattern of growth in real final sales in this recovery. Real GNP is likely to be increasing at a rate somewhat higher than 4% during the second half of this year.

The cautious approach to inventory management has been evident across all major sectors of business. As an example, the combined effects of aggressive inventory building and a slowdown in sales produced an uncomfortable 21.0% rise in inventories of department stores from December 1983 to December 1984. As of this May, however, their inventories were just 4.3% higher than a year ago. Unfortunately, because of lackluster sales the inventory/sales ratio is still at the same level as a year ago. As a result, retailers will likely continue to maintain tight control over inventories in coming months.

As retailers first began to restore control over their inventories, their vendors felt sharp cutbacks in orders. Manufacturers are in an improved position now that the retail situation has stabilized. For example, manufacturers of home goods and apparel had a substantial 3.8% rise in new orders in May from the April level after several declines earlier in the year. In addition, their inventories fell by a significant 1.6% in May from the April level and are now 2.7% below year-end 1984. These developments--rising orders and declining inventories--bode well for improved growth in coming months.

The trade deficit remains an obstacle to an overall rebound in growth. The trade deficit averaged $147.1 billion at an annual rate in April and May, compared to a deficit of $123.3 billion in 1984 and $131.1 billion in the first quarter. The recent substantial depreciation of the dollar is helpful for U.S. manufacturers, but the dollar is still about 67% higher against the mark, for example, than the low in 1980. The still strong dollar remains a major impediment to a sustained revival in the U.S. industrial sector.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual		1985		Forecast 1986				Actual 1983-1984	Forecast 1984-1985	Forecast 1985-1986
	I	II	III	IV	I	II	III	IV			
Gross National Product	5.6	4.6	7.9	8.7	8.9	8.2	6.4	7.5	10.8	6.5	7.9
Real GNP	0.3	1.7	4.3	4.6	4.0	3.8	1.5	2.3	6.8	2.6	3.5
GNP Price Deflator	5.4	2.8	3.5	3.9	4.7	4.2	4.8	5.1	3.8	3.8	4.2

	Actual 1985: II	Forecast 1985:III	Actual 1983-1984	Forecast 1984-1985	Forecast 1985-1986
Consumer Spending	8.4%	8.2%	8.6%	7.6%	8.2%
Durable Goods	7.2	3.5	13.9	7.4	7.1
Nondurable Goods	8.2	7.2	6.9	5.2	7.3
Services	8.8	10.2	8.5	9.4	9.0
Business Capital Spending	14.6	12.9	20.6	11.3	10.3
Structures	22.8	19.5	16.0	16.2	11.6
Equipment	10.1	9.2	23.4	8.7	9.5
Residential Investment	11.8	9.7	16.4	3.9	2.3
			1984	1985	1986
Change in Inventories	$12.6b.	$20.0b.	$58.2b.	$25.3b.	$37.5b.
Net Exports of Goods and Services	$-91.1b.	$-109.0b.	$-64.2b.	$-95.0b.	$-117.0b.
			1983-1984	1984-1985	1985-1986
Government Purchases	9.4%	8.6%	9.0%	9.3%	7.3%
Federal	6.8	8.6	9.5	11.2	6.0
Defense	12.5	8.6	10.5	9.5	6.6
Other	-7.2	9.0	6.7	16.2	4.3
State & Local	11.1	8.6	8.7	8.1	8.2
Corporate Profits Before Tax	-7.7*F	5.0*	16.0	-1.2	7.1
Corporate Profits After Tax	-6.9*F	2.7*	14.5	-1.6	7.1
Plant and Equipment Expenditures	4.4	16.1	16.0	9.2	7.3
Real Final Sales#	5.1	3.5	5.0	3.5	3.3
Real Disposable Personal Income	9.3	3.7	6.7	3.6	3.4

Economic Indicators	Recent Data Apr.	May	June	Actual 1983-1984	Forecast 1984-1985	1985-1986
Consumer Price Index**	4.8%	2.4%	n.a.	4.3%	4.2%	4.6%
Producer Price Index for Finished Goods**	3.6	2.4	0.0	2.1	2.8	4.0
Industrial Production	2.4	1.2	1.2	11.5	2.8	3.7
Retail Sales##	3.1	-0.5	-0.8	10.5	6.1	7.2
				1984	1985	1986
Auto Sales (millions of units, a.r.)	11.1	11.3	10.3	10.4	10.8	10.2
Housing Starts (millions of units, a.r.)	1.93	1.67	1.71	1.75	1.76	1.68
Unemployment Rate	7.3%	7.3%	7.3%	7.5%	7.2%	6.8%
Merchandise Trade Deficit (a.r.)	$142.2b.	$152.0b.	n.a.	$123.3b.	$150.0b.	$170.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

$b. = billions a.r. = annual rate F = Forecast

July 19, 1985

BF750-2

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research & Planning Division

August 1985

The economy continues to plod along, with a few signs of improvement interspersed among indications of continuing difficulties. Business slowdowns such as the economy has been experiencing are normal during expansionary periods. They usually last from three to five quarters and are followed by a period of above-average growth. Although the slowdown that began last summer is indeed proving persistent, continued low inflation rates and declines in interest rates during the past year have laid the foundation for improved economic growth.

The inventory situation continues to show improvement, although the pattern is not clear-cut. For example, the inventory/sales ratio of general merchandise, apparel, and furniture stores--a large group sensitive to discretionary consumer purchases--is now considerably below the undesirably high levels that were reached at various points during the past year. This pattern indicates that retailers will soon have to increase orders to their vendors to keep their shelves stocked.

The industrial sector still shows many signs of stress, but its pattern of growth is now less disturbing than it was a few months ago. As of June, industrial production appeared to be on a plateau, falling a slight 0.4% from the peak in August 1984 to May 1985. After a recent major data overhaul and modest increases in June and July, the index of industrial production now shows a slight upward tilt, with the July level 1.1% higher than last August's level. Further increases in production in the months ahead are likely, but profits of industrial firms will still be under pressure as capacity utilization rates remain below optimal levels and as low-cost imports limit domestic manufacturers' ability to raise prices and improve profit margins.

Despite declines in mortgage rates of two percentage points during the past year, housing starts in the last few months have been disappointing. Initially, housing starts seemed to respond to the declines in rates, rising from 1.56 million units last October to about 1.9 million in March and April. Housing starts have fallen since then, however, and were only 1.65 million units in July.

Several factors are responsible for the hesitation. Some areas of the country, such as parts of Florida and Texas, have been overbuilt. In addition, mortgage delinquencies have become a major problem of late; the mortgage delinquency ratio hit a record high in May (based on data going back to the early 1970s). As a result, many lenders have tightened credit qualifications--a wise move, but one that reduces the number of potential home buyers. Fannie Mae has recently announced that it will further tighten its standards on the mortgages--particularly low downpayment mortgages--it buys for resale, effective in October. In any case, it now seems that a reassessment of credit standards is warranted, even if it means somewhat less growth in housing. Furthermore, the tax reform proposals have introduced major elements of uncertainty into the housing market. Housing starts are now expected to total 1.72 million units in 1985 and 1.64 million units in 1986, compared to 1.75 million in 1984.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual		1985		Forecast				Actual	Forecast	
								1986	1983-	1984-	1985-
	I	II	III	IV	I	II	III	IV	1984	1985	1986
Gross National Product	5.6	4.7	7.6	8.9	8.4	8.0	6.1	7.5	10.8	6.5	7.7
Real GNP	0.3	2.0	4.1	4.8	4.0	3.8	1.5	2.5	6.8	2.7	3.6
GNP Price Deflator	5.4	2.7	3.4	3.9	4.3	4.0	4.5	4.9	3.8	3.7	4.0

	Actual	Forecast	Actual	Forecast	
	1985: II	1985:III	1983-1984	1984-1985	1985-1986
Consumer Spending	8.6%	6.1%	8.6%	7.4%	8.2%
Durable Goods	6.3	1.3	13.9	7.2	7.5
Nondurable Goods	7.1	2.5	6.9	4.4	6.5
Services	10.3	10.1	8.5	9.7	9.5
Business Capital Spending	12.6	11.7	20.6	10.8	10.2
Structures	14.0	14.8	16.0	14.0	10.8
Equipment	11.8	9.9	23.4	9.0	9.8
Residential Investment	8.1	9.6	16.4	3.2	1.7
			1984	1985	1986
Change in Inventories	$18.1b.	$26.0b.	$58.2b.	$29.7b.	$38.5b.
Net Exports of Goods and Services	$-93.4b.	$-107.0b.	$-64.2b.	$-95.1b.	$-119.0b.
			1983-1984	1984-1985	1985-1986
Government Purchases	9.5%	12.0%	9.0%	9.7%	7.5%
Federal	5.0	16.8	9.5	11.6	6.2
Defense	12.0	9.8	10.5	9.6	7.2
Other	-12.5	39.5	6.7	17.6	3.3
State & Local	12.7	8.8	8.7	8.4	8.4
Corporate Profits Before Tax	-10.1*	2.1*	16.0	-3.1	8.1
Corporate Profits After Tax	-9.1*	-0.1*	14.5	-3.5	8.2
Plant and Equipment Expenditures	4.4	16.1	16.0	9.2	7.3
Real Final Sales#	4.7	3.3	5.0	3.4	3.4
Real Disposable Personal Income	8.1	3.5	6.7	3.4	4.0

Economic Indicators	Recent Data			Actual	Forecast	
	May	June	July	1983-1984	1984-1985	1985-1986
Consumer Price Index**	2.4%	2.4%	n.a.	4.0%	4.1%	4.5%
Producer Price Index for Finished Goods**	2.4	-2.4	3.6	1.7	2.8	3.7
Industrial Production	2.4	3.6	2.4	11.5	2.8	3.6
Retail Sales**	-0.4	-1.4	0.4	10.5	6.6	6.8
				1984	1985	1986
Auto Sales (millions of units, a.r.)	11.3	10.3	10.3	10.4	10.8	10.3
Housing Starts (millions of units, a.r.)	1.68	1.69	1.65	1.75	1.72	1.64
Unemployment Rate	7.3	7.3	7.3	7.5	7.3	7.0
Merchandise Trade Deficit (a.r.)	$152.0b.	$161.0b.	n.a.	$123 3b.	$150.0b.	$170.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

*GNP less change in inventories, both in real terms.
**Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

$b. = billions a.r. = annual rate F = Forecast

August 21, 1985

B4750-2

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

September 1985

Despite an accommodative stance by the Federal Reserve, the economy seemed to remain virtually dead in the water throughout much of this year. In August, however, the economy finally began to perk up. Although the improvement was partly due to special situations that will not persist, it appears that the economy is regaining forward momentum.

One particularly welcome development in August was the rise in manufacturing employment for the first time this year. The increase was probably overstated because of difficulties with the seasonal adjustment procedure when model changeovers in the auto industry differ from past patterns. Nevertheless, manufacturing employment excluding the auto industry rose in August after an extended series of declines.

On another favorable note, domestic auto sales totaled an extraordinary 9.7 million units at an annual rate in August. Including imports, sales were 12.6 million units at an annual rate, compared to 10.4 million in 1984, which was considered a good year for the auto industry. Since the surge in sales reflected below-market financing by the automakers, a sizable drop in sales of domestic cars is to be expected in October when the special incentives are no longer available. Nevertheless, the fundamental demand for autos remains relatively strong, particularly because of potential replacement demand. The average age of cars in use is still the highest since the early 1950s. Auto sales are now expected to total 11.1 million units this year and 10.3 in 1986.

Excluding autos, retail sales in August increased by a moderate 0.4% from the July level, not very impressive in view of the weakness evident in prior months. This type of mediocre performance highlights the dilemma that the Federal Reserve faces. By several measures, the Fed has pursued a relatively easy policy for much of this year. The decisive actions by the Fed have considerably reduced the possibility of a near-term recession. Yet despite several recent favorable economic reports, the recovery remains fragile, with numerous signs of hesitation and significant indications of financial stress still evident. As a result the Fed has been reluctant to do much about the excessive growth in M1 (the narrowly defined money supply) that has persisted throughout this year, particularly in view of the unusual declines in velocity (GNP divided by M1) so far this year.

Since the economy is only now beginning to respond to the past monetary stimulus, the Fed will likely try to strike a balance between reining in money growth and avoiding actions that might jeopardize improved economic growth. The result will probably be moderate increases in interest rates over the next six months or so.

Rapid money growth was also evident in 1983 and led to several well-publicized forecasts of accelerating inflation. (Money growth is admittedly higher this year than in 1983.) Nevertheless, consumer price inflation has remained remarkably stable; the increase in the consumer price index (on a December-to-December basis) was 3.9% in 1982, 3.8% in 1983, 4.0% in 1984, and will likely be about 3.9% this year also. With substantial excess productive capacity in the United States and abroad and with market pressures pointing to potentially weaker oil prices, it is likely that inflation will remain near 4% next year as well.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual		1985					Forecast 1986	Actual 1983- 1984	Forecast 1984- 1985	Forecast 1985- 1986
	I	II	III	IV	I	II	III	IV			
Gross National Product	5.6	4.7	7.9	8.4	7.5	8.3	6.1	7.4	10.8	6.5	7.5
Real GNP	0.3	2.0	4.1	4.8	4.0	3.8	1.5	2.6	6.8	2.7	3.6
GNP Price Deflator	5.4	2.7	3.7	3.5	3.4	4.3	4.5	4.7	3.8	3.7	3.8

	Actual 1985: II	Forecast 1985:III	Actual 1983-1984	Forecast 1984-1985	Forecast 1985-1986
Consumer Spending	8.6%	7.2%	8.6%	7.6%	8.0%
Durable Goods	6.3	6.5	13.9	7.6	6.6
Nondurable Goods	7.1	2.7	6.9	4.4	5.9
Services	10.3	10.6	8.5	9.9	9.8
Business Capital Spending	12.6	7.7	20.6	10.1	9.1
Structures	14.0	8.2	16.0	12.9	9.0
Equipment	11.8	7.5	23.4	8.6	9.2
Residential Investment	8.1	8.5	16.4	3.6	0.9
			1984	1985	1986
Change in Inventories	$18.1b.	$10.0b.	$58.2b.	$23.5b.	$35.5b.
Net Exports of Goods and Services	$-93.4b.	$-88.0b.	$-64.2b.	$-89.5b.	$-115.0b.
			1983-1984	1984-1985	1985-1986
Government Purchases	9.5%	11.1%	9.0%	9.7%	7.6%
Federal	5.0	15.0	9.5	11.5	5.6
Defense	12.0	8.8	10.5	9.5	7.0
Other	-12.5	35.0	6.7	17.6	1.8
State & Local	12.7	8.6	8.7	8.5	8.8
Corporate Profits Before Tax	-10.1*	2.1*	16.0	-3.1	8.1
Corporate Profits After Tax	-9.1*	-0.1*	14.5	-3.5	8.2
Plant and Equipment Expenditures	19.2	4.2	16.3	9.2	8.1
Real Final Sales#	4.7	5.0	5.0	3.6	3.3
Real Disposable Personal Income	8.1	-3.7	6.7	2.4	3.1

Economic Indicators	Recent Data June	July	Aug.	Actual 1983-1984	Forecast 1984-1985	1985-1986
Consumer Price Index**	2.4%	2.4%	2.4%	4.0%	3.9%	4.3%
Producer Price Index for Finished Goods**	-2.4	3.6	-3.6	1.7	1.3	3.4
Industrial Production	3.6	0.0	3.6	11.5	2.3	3.6
Retail Sales##	-1.0	0.2	1.9	10.5	5.5	6.3
				1984	1985	1986
Auto Sales (millions of units, a.r.)	10.3	10.3	12.6	10.4	11.1	10.3
Housing Starts (millions of units, a.r.)	1.69	1.65	n.a.	1.75	1.73	1.64
Unemployment Rate	7.3	7.3	7.0	7.5	7.3	6.9
Merchandise Trade Deficit (a.r.)	$161.0b.	$126.1b.	n.a.	$123.3b.	$150.0b.	$170.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).
$b. = billions a.r. = annual rate F = Forecast

September 16, 1985

B4250-2

Economic Outlook

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research &
Planning Division

October 1985

The evidence continues to mount that economic growth is accelerating from the sluggish pace of the first half of this year. We expect the annualized growth rates for real GNP in the third and fourth quarters of this year and the first two quarters of next year to average about 4%, compared to increases of 0.3% in the first quarter of 1985 and 1.9% in the second quarter. On a fourth-quarter to fourth-quarter basis, real GNP is expected to rise 2.7% in 1985 and 3.3% in 1986.

The Administration's "flash forecast" for real GNP in the third quarter was an annualized growth rate of 2.8%, but it now appears that the economy grew at a faster pace. To a considerable extent, the improvement in the third quarter was due to a surge in auto sales and a narrowing of the trade deficit. Both of these developments could well be reversed in the fourth quarter, although it will still be necessary to rebuild auto inventories. More fundamentally, however, steps have been taken during the past year that should lead to an improvement in economic growth, and we are finally beginning to see some results. Money market rates are still roughly 350 basis points lower now than the levels reached in the summer of 1984. Inventories have been brought into better alignment with sales, and the dollar has come down substantially from the levels reached earlier this year. All of the developments could be expected to foster a pickup in economic growth, though with varying lags.

Despite this favorable assessment that real growth is accelerating, the general improvement in the pace of economic activity will probably not be felt soon by several important industries currently undergoing painful adjustments. In last month's Outlook, we noted that manufacturing employment finally increased in August after declining steadily since the beginning of this year. Partly due to the continuing troubles in the high-tech industries, manufacturing employment fell sharply in September to the lowest level since early 1984. Nevertheless, one sensitive barometer of the employment situation, initial claims for unemployment compensation benefits (which is one of the components of leading indicators), has remained surprisingly subdued for the last few months at relatively low levels.

A frequently cited potential damper on consumer spending is the substantial amount of installment debt incurred during this recovery period. Installment credit outstanding in August reached a record 18.9% of income after taxes. As consumers place commitments on future income, they limit their ability to maintain their past rate of spending. If anything, the situation in terms of consumer indebtedness may be worse than the numbers show, since home equity lines of credit, which are not included in the installment credit data, have been promoted aggressively by many financial institutions. Nevertheless, merely based on the demographic structure of the population today, with the "baby boomers" having such an important position in the marketplace, it should be expected that consumer indebtedness would be at a record level relative to income. A heavy overall burden of consumer debt may indeed act as a retardant on consumer spending in the future, but it will not be the critical factor that will eventually induce a recession.

Bernard Schoenfeld

Irving Trust

Economic Forecast

Percent Changes at Annual Rates

	Actual		1985		Forecast 1986				Actual 1983-	1984-	Forecast 1985-
	I	II	III	IV	I	II	III	IV	1984	1985	1986
Gross National Product	5.6	4.5	7.1	8.3	7.3	8.3	7.7	7.3	10.8	6.4	7.5
Real GNP	0.3	1.9	3.9	4.7	3.8	3.8	3.0	2.5	6.8	2.6	3.7
GNP Price Deflator	5.4	2.6	3.1	3.5	3.4	4.3	4.5	4.7	3.8	3.6	3.7

	Actual 1985: II	Forecast 1985:III	Actual 1983-1984	1984- 1985	Forecast 1985-1986
Consumer Spending	7.8%	8.3%	8.6%	7.4%	7.6%
Durable Goods	5.4	24.7	13.9	8.6	6.0
Nondurable Goods	6.8	1.2	6.9	4.1	5.6
Services	9.2	9.2	8.5	9.5	9.4
Business Capital Spending	15.4	6.9	20.6	10.4	8.8
Structures	13.9	10.0	16.0	13.2	9.1
Equipment	16.2	5.2	23.4	8.9	8.7
Residential Investment	7.4	7.0	16.4	3.4	0.6
			1984	1985	1986
Change in Inventories	$17.9b.	$-7.0b.	$58.2b.	$17.4b.	$38.8b.
Net Exports of Goods and Services	$-94.0b.	$-85.0b.	$-64.2b.	$-86.6b.	$-109.8b.
			1983-1984	1984-1985	1985-1986
Government Purchases	9.9%	11.2%	9.0%	9.8%	7.6%
Federal	5.5	15.2	9.5	11.6	5.7
Defense	12.9	8.8	10.5	9.6	7.1
Other	-12.0	35.0	6.7	17.7	1.8
State & Local	13.1	8.6	8.7	8.6	8.9
Corporate Profits Before Tax	-10.2*	2.1*	16.0	-3.1	8.1
Corporate Profits After Tax	-8.5*	-0.1*	14.5	-3.5	8.2
Plant and Equipment Expenditures	19.2	4.2	16.3	9.2	8.1
Real Final Sales#	4.6	6.0	5.0	3.6	3.1
Real Disposable Personal Income	8.2	-3.9	6.7	2.2	2.7

Economic Indicators	Recent Data July	Aug.	Sept.	Actual 1983-1984	1984-1985	Forecast 1985-1986
Consumer Price Index**	2.4%	2.4%	n.a.	4.0%	3.8%	4.3%
Producer Price Index for Finished Goods**	3.6	-3.6	-7.2	1.7	1.3	3.3
Industrial Production	0.0	3.6	n.a.	11.5	2.6	3.6
Retail Sales##	0.2	2.8	2.7	10.5	7.0	4.7
				1984	1985	1986
Auto Sales (millions of units, a.r.)	10.3	12.6	14.5	10.4	11.2	10.4
Housing Starts (millions of units, a.r.)	1.65	1.75	n.a.	1.75	1.73	1.64
Unemployment Rate	7.3%	7.0%	7.1%	7.5%	7.2%	6.9%
Merchandise Trade Deficit (a.r.)	$126.1b.	$118.8b.	n.a.	$123.3b.	$147.0b.	$170.0b.

Unless noted otherwise, all data are period-to-period percent changes at annual rates, derived from seasonally adjusted data.

October 15, 1985

#GNP less change in inventories, both in real terms.
##Monthly percent changes are not annualized.
*Year-over-year percent changes.
**Annual percent changes are December to December (not seasonally adjusted).

$b. = billions a.r. = annual rate F = Forecast